2 Purchase Planning

Exhibits

2 Purchase Planning

One key to success in purchasing is careful planning to ensure that the important actions that should be taken during a specific design or construction project are identified and that the efforts of those who should take the actions are coordinated. This chapter addresses these and other purchase planning issues that should be considered for design and construction contracts and for design-build, design-solicit-build, standard plans, and other approaches to such projects. This chapter describes the planning responsibilities of the requirements organization and the purchasing organization. These responsibilities include performing market research, performing advance planning, preparing individual purchase plans, preparing implementation plans, and preparing contractor selection plans. This chapter also addresses quality requirements, project schedules, Postal Service property, option contracts, value engineering, and specifications and statements of work.

2.1 Policy

2.1.1 Preliminary Planning

2.1.2 Purchase Planning

2.1.2.a *The Process*

2.1.2.b *Responsibilities*

2.1.2.b-10 *Responsibilities of Facilities Service Offices and Major Facilities Purchasing*

The division of responsibilities between the requirements organization and the purchasing organization delineated in the *Purchasing Manual* (PM) are applicable to design and construction purchases. However, Facilities Service Offices (FSOs) should help their respective requirements organizations (operating units) carry out planning responsibilities on projects expected to cost less than $10,000,000. Major Facilities Purchasing should help facilities organizations carry out their planning responsibilities on projects expected to cost $10,000,000 or more.

2.1.2.b-20 *Five-Year Plan*

Facilities purchasing offices (Major Facilities Purchasing and FSOs) may assist in developing five-year plans as well as the other plans discussed in 2.1.2 and 2.1.4.

2.1.2.b-30 *Planning for Prequalification*

The purchase team begins prequalification planning approximately seven months before the anticipated contract award date depending on the size and complexity of the project. Contractors may be prequalified for a single project or for a category of related projects for a specified period. The purchase team determines such period. A period of up to 24 months is usually suitable. Also see 3.5.2, chapter 3B.

2.1.2.b-40 *Summary Purchase Plans for Major Facilities Projects*

Major Facilities Purchasing is responsible for helping facilities and other responsible Postal Service units develop summary purchase plans for projects expected to cost $10,000,000 or more. Because of the lead time required in major facilities projects, the plans should cover two fiscal years; however, a new two-year plan should be prepared at the beginning of each fiscal year. In addition, the plans should be updated at least quarterly throughout the year. The plans should include the following information for each project:

a. A brief description of the project, with emphasis on any unique features to be included or special problems to be overcome.

b. An indication of the general approach to be used in carrying out the project: design-solicit-build, design-build, or standard plans.

c. The proposed schedule for the project, including projected award dates for design and construction contracts and occupancy dates.

d. The estimated cost of both design and construction.

e. General factors to be used in selecting a design firm and in prequalifying construction contractors.

The plans should be distributed to the vice president of Purchasing and Materials and to the vice president of Facilities. If the value of a proposed purchase exceeds $10,000,000, the vice president of Purchasing and Materials' approval of both the purchase plan and contract award is required (see PM 1.5.3.d).

2.1.2.b-50 *Summary Purchase Plans for Other Facilities Projects*

FSOs are responsible for helping their field units develop summary purchase plans for facilities projects expected to cost less than $10,000,000. The plans should describe the projects to be initiated during the year and indicate the estimated cost, desired completion date, and relative priority of each project. The FSOs and the field units should review and update the plans halfway through the fiscal year.

2.1.3 Market Research

2.1.3.a *Importance*

2.1.3.b *Methods*

Some degree of market research, commensurate with the size and complexity of a project, is essential. Postal Service facilities personnel should keep abreast of the design and construction markets through participation in and attendance at seminars and meetings of advisory or trade organizations, through reading, and through other means. Market research should be conducted either by facilities personnel or by an A/E when a project requires special materials, features, or systems that cannot be provided by the types of firms that usually design and construct Postal Service facilities. The demonstrated ability to conduct market research may be one of the factors applied in selecting a firm for an A/E contract.

2.1.4 Individual Purchase Plans

Individual purchase plans are required for all new construction projects and for all repair and alteration projects. The detail in the plan is to be commensurate with the cost and complexity of the project.

2.1.4.a *Responsibility*

Individual purchase plans expand on the information provided in the summary plans. Major Facilities Purchasing is responsible for developing individual purchase plans for projects expected to cost $10,000,000 or more. FSOs should assist field units in developing purchase plans for other facilities projects.

2.1.4.b *Elements*

2.1.4.b-10 *Completing the Plan*

After selecting the general approach and contract type, complete the individual purchase plan by addressing the issues listed in PM 2.1.4.b, giving special attention to the estimated project cost and the schedule to complete the project.

2.1.4.b-20 *Project Schedule*

Prepare a schedule for the prequalification and solicitation processes, indicating milestones in terms of months before or after award. Exhibit 2.1.4.b-20a presents a sample milestone schedule that covers these activities. Be sure to allow adequate time for evaluation of prequalification statements. Work done during this planning phase may lessen the work and time required for the later phases of solicitation and proposal evaluation.

In the absence of specific information upon which to base a schedule for the complete facility purchasing process, consult the following exhibits for use as a general guide:

a. Exhibit 2.1.4.b-20b presents guidance for estimating design and construction times for a traditional design-solicit-build project.

b. Exhibit 2.1.4.b-20c shows the number of weeks to consider adding to a construction schedule to allow for bad weather in different zones and for different start dates.

c. Exhibit 4.4.2.d.2-10 (chapter 4A) lists the steps involved in securing A/E services.

2.1.4.b-30 *Estimated Project Cost*

The preliminary or budget cost estimate for a construction project should be as accurate as possible because A/Es tend to design to budget. If the budget is too high or too low, the facility produced may be of higher or lower quality than desired. If there is uncertainty about the budget estimate, have it checked and validated before proceeding.

2.1.4.b-40 *Selecting a General Approach*

To develop an individual purchase plan, begin by determining the general approach to be used (design-solicit-build approach, the design-build approach, or the standard plans approach). Decide on the general approach early because it affects all other parts of the plan. See Exhibit 2.1.4.b-40 for a comparison of the advantages and limitations of the different approaches.

2.1.4.b-50 *Variations*

When describing the general approach to be used, indicate variations of an approach, for example:

a. With the standard plans approach, use a design firm previously retained under an indefinite-quantity contract (this arrangement can also be used for the design of minor alterations projects with the design-solicit-build approach).

b. With the design-solicit-build approach, hire a construction management firm to perform constructability analyses or to help administer the construction phase.

c. With either the design-solicit-build approach or the standard plans approach, expand the duties of the design firm under an option to include construction inspection or other construction phase services.

d. With the design-build approach, hire a design firm to prepare a preconcept or concept design before soliciting a design-build contractor.

2.1.4.c *Milestones*

2.1.5 Supplier Selection Strategy

When planning for A/E contracts expected to exceed $1,000,000, the purchase team may determine that price is to be a factor in selection.

2.1.6 Evaluation Teams

Also see chapters 3B, 4A, and 4B.

2.1.7 Performance Evaluation Factors

Also see chapters 3A and B and 4A and B. Note that the supplier-specific factors described in PM 2.1.7.c are mandatory in every purchase. The guidance in 2.1.7-10 through 2.1.7-40 assists in drafting other evaluation factors.

2.1.7-10 *Evaluation Factors for A/E Contracts*

The purchase team must establish prescreening factors for the project before any firm is evaluated. The factors include the items presented through 2.1.7-14 plus any factors distinctive to a particular purchase. The purchase team's task throughout the evaluation process, from CBD notice to the debriefing of nonselected firms, is facilitated by having a detailed analysis of project requirements.

In establishing minimum firm size factors, consider only the resources of the prime firm. The purpose is to ensure that the prime firm has adequate management, administration, and clerical support to accomplish the work effectively, to direct any consultants, and to give the necessary attention and emphasis to the project.

Factors for the number of professionals must include minimum professional staffing for each of the disciplines required to do the work. The required professional staffing takes into account the staff members of consultants as well as the prime firm. In general, make no requirement for all of the disciplines to be in-house with the prime firm. When considering the number of employees and disciplines available for work on the project, the team should be objective and fair in comparing the staffing of firms having all disciplines in-house with firms having a single or limited number of disciplines in-house and using consultants for the remaining disciplines.

Factors for a given project staffing might be stated in the prescreening minutes as: “A minimum staffing of ___ is required in the prime firm with the following minimum number of (registered) professionals: architects ____, civil engineers ____, structural engineers ____, electrical engineers ____, and mechanical engineers ____ on the project design team, including consultants.”

2.1.7-11 *Specialized Experience and Licensing*

Solicitations for A/E contracts require, as a prerequisite to award, that a firm have certain specialized experience or a particular license because of the requirement that only a properly licensed architect or engineer should sign drawings (see 6.3.2-10, chapter 6A). For example, a firm may be asked to show that it has a minimum number of years of experience in the management and organization of a major project or that it has performed work of a specialized nature. The requirements should reasonably relate to the firm's capability and not be unduly restrictive. New firms are not barred from competing on this type of solicitation because the experience of the firm's principal officers is considered. Also, unless prohibited by the terms of the solicitation, a specialized experience requirement may be met through a subcontractor. If experience requirements, licensing, and so forth, are included in the solicitation or as part of the prequalification process, the solicitation must

also state how those requirements can be met and how each factor is evaluated.

2.1.7-12 *Geographic Preferences*

Clearly define the boundaries of the geographical areas in order of preference to eliminate confusion and/or potential protest of interested firms. For example: (1) local (within a radius of a certain number of miles from the projected site or within other commonly identifiable boundaries, such as counties), (2) within the State or other geographical designation, and (3) out of state.

2.1.7-13 *Local Factors*

Engineering firms are considered local only if their sole office is in the local architect/geographical area or if they have a local branch office and all the design, coordination, and management of the project will be accomplished there. Generally, there is no restriction on the geographical location of consultants. However, on regional projects and A/E indefinite-quantity service contracts, the geographical location of consultants may be limited to the local area and must be so noted in the CBD. The test for determining local status of a joint venture is considered met only if the design and project management is accomplished locally.

2.1.7-14 *Price as an Evaluation Factor*

If price is considered in selecting the A/E contractor (see 2.1.5), place the following statement in the CBD notice: “The Postal Service reserves the right to request priced proposals from multiple firms at the conclusion of the interview process, with award being made on the basis of both technical ability and price.”

2.1.7-15 *Errors and Omissions and Environmental Liability Insurance*

To be considered for an A/E contract, firms must be able to obtain errors and omissions insurance (see 7.2.4). This requirement is placed in the CBD. For environmental projects, the firms must obtain environmental liability insurance.

2.1.7-20 *Evaluation Factors for Less Complex A/E Contracts*

See 4.4.2-10, chapter 4A. As part of the performance evaluation factors discussed in PM 2.1.7, the evaluation team evaluates SFs 254, *Architect-Engineer and Related Services Questionnaires*, and SFs 255, *Architect-Engineer and Related Services Questionnaire for Specific Projects* when reviewing data files. Evaluation teams also evaluate the following information on interested A/E firms:

a. Professional qualification, registration, and general reputation of the principals of the firm.

b. Professional qualifications of consultants regularly or frequently engaged.

c. Extent to which the firm specializes in or has designed projects of a type and scope similar to the one at hand.

d. Professional background of key personnel, other than principals, who are assigned to the project.

e. Familiarity with the area in which the project is located.

f. Past performance of the firm, including its record in meeting schedules, and its quality of performance on other projects (see PM 2.1.7.c.2).

g. Capability of the firm (see PM 2.1.7.c.3).

2.1.7-30 *Evaluation Factors for Construction Contracts*

2.1.7-31 *Initial Prequalification Determination*

Determine whether to prequalify contractors for a single project or a specific category of related project types. The following are general guidelines:

a. Prequalification is mandatory for projects with construction costs over $5,000,000, as well as design-build, turnkey, and other designated projects as applicable. Prequalification is conducted on an individual project basis.

b. For projects with construction costs under $5,000,000, contractors may be prequalified for:

(1) A category of projects, such as roofing, painting, heating and air conditioning, and so forth.

(2) Projects falling between established dollar levels, such as $1,000,000 to $2,500,000; $2,500,000 to $5,000,000.

(3) A specified geographic area if there are enough projects in a given area to support such a method of solicitation.

(4) A combination of the above if multiple solicitations are planned over a 12-month period and prequalification is performed once.

2.1.7-32 *Prequalification Factors*

The purchase team must prepare prequalification factors. The factors include the supplier-specific factors of past performance and contractor (see PM 2.1.7.c). Prequalification factors must have a direct bearing on a contractor's ability to perform successfully. Qualification requirements are added or deleted as necessary and the relative importance of each is adjusted as needed for the particular project. The importance of establishing factors that reflect the prequalifications required for a specific project, or category of projects, cannot be overstated.

Prequalification factors are used to prepare a Qualification Statement for contractors to complete, to prepare the prequalification advertisement, to evaluate contractors, and to provide the basis for responding to contractors not selected for prequalification.

2.1.7-33 *Qualification Statements*

To prequalify prospective contractors, the Postal Service needs information on the firms' past projects, active workloads, financial resources, bonding

capacities, and so forth. This information is obtained by having prospective contractors submit Qualification Statements. A prequalification package is provided to each contractor responding to the CBD notice. The package must identify the specific information to be provided and includes any special formats for submission, such as a financial balance sheet. Sample Qualification Statement Packages are available from Major Facilities Purchasing in electronic format. The Qualification Statement Package can be adapted to projects of all sizes. The package must include a statement of all evaluation factors.

2.1.7-34 *Evaluation Factors for Construction*

See PM 2.1.7. Solicitations must set forth the evaluation factors the Postal Service applies in prequalifying or selecting a contractor for award. Sound factors and their proper weighting is essential to effective proposal and qualification statement evaluation. They should be established in accordance with the objectives of the purchase. Avoid using too many factors, as it can lead to an unintended leveling out in scoring, resulting from high scores in less significant factors offsetting low scores in more important major factors. Examples of major factors are:

a. Capability.

b. Past performance.

c. Understanding the requirement.

d. Management plan.

e. Key personnel (qualifications and experience).

f. Resources.

g. Experience.

h. Financial status.

i. Other technical and design/construction methods required.

Under the major factors, it may be desirable to establish subfactors. For example, under management plan, there could be subfactors for organization and project control systems.

2.1.7-35 *Relative Importance of Evaluation Factors*

See PM 2.1.7.d.-f.

2.1.7-36 *Considerations Influencing Evaluation Factors*

In evaluating construction proposals, follow the guidelines listed below:

a. Project size, complexity, and the basis for award determine the evaluation factors, their relative importance, and the evaluation method to be used.

b. For projects in which price and price-related factors are the sole basis for award, the evaluation factors are straightforward. In this case, a detailed selection plan is not required.

c. Follow the same evaluation procedures whether proposals were received from prequalified contractors or from contractors responding to a presolicitation notice published in the CBD. The only difference is the greater effort involved with an evaluation of capability for contractors who are not prequalified. See PM 3.5.2 and 3.5.2 (chapter 3B) for additional information on prequalified contractors.

d. When price or price-related factors are not the sole basis for proposal evaluation and contractor selection, you must, at a minimum, detail in your selection plan how you will address the requirements listed in PM 2.1.7. The detail and complexity of the evaluation plan and factors, the size and composition of the evaluation committee, the level of detail in the documentation, the schedules, and similar decisions are driven by the requirement.

2.1.7-37 *Weighting Methods*

See Handbook P-1, 2.5.1.c.

2.1.7-40 *Design-Build Technical and Management Evaluation Factors*

The following evaluation factors are recommended for the initial evaluation of proposals:

a. Extent and nature of prior experience in design-build construction projects similar to the proposed work (emphasis is placed on the number of successfully completed jobs, the extent to which experience is current, and the breadth of scope for completed jobs).

b. Financial and other resources of the offeror.

c. Cost/schedule performance on similar completed jobs, comparisons of actual cost, and schedule with budgets and contracts.

d. Management plan and organization for execution of the work.

e. Proposed detailed schedules for both design and construction work.

f. Qualifications of key personnel.

2.1.7.a *General*

2.1.7.b *Proposal-Specific Factors*

See 2.1.7-10 through 2.1.7-40 for guidelines and ideas for drafting proposal-specific factors.

2.1.7.c *Supplier-Specific Factors*

Note that the factors listed in the PM are mandatory in every purchase.

2.2 Planning Considerations

2.2.1 Quality Requirements

2.2.1.a *Policy*

When developing quality assurance plans for facilities projects in accordance with PM 2.2.1, purchase teams should deviate as little as possible from established procedures and practices in the design and construction industry. However, unique quality assurance provisions are considered when justified by the requirements of a specific project.

2.2.1.b *Quality Assurance Requirements*

When Postal Service acceptance of a quality assurance system is required, contracting officer should consider the following factors in addition to those listed in PM 2.2.1.b:

a. The general approach being used. Different approaches to quality assurance are required with the design-solicit-build approach, the design-build approach, and the standard plans approach.

b. The types of requirements imposed on the contractor. Ordinarily, less owner inspection is required with prescriptive specifications than with performance specifications.

c. The contract dollar amount. Contractors on large projects generally are more willing to institute formal quality control procedures than contractors on small projects.

d. The availability of Postal Service personnel to perform quality assurance functions. If it is anticipated that the necessary personnel may not be available, outside support services from a construction management firm or an A/E need to be arranged.

2.2.1.c *Clauses*

2.2.1.d *Quality Assurance at Origin*

2.2.1.e *Inspection at Destination*

2.2.1.f *Quality Assurance in Commercial Purchasing*

See PM 4.3.2.h.

2.2.2 First Article Approval ☒

2.2.3 Acceptance PM

If possible, do not occupy facilities until they have been completed and accepted by the purchase team. This protects the Postal Service's right to charge the contractor liquidated damages for any delays in the completion of the facility. However, for operational reasons the Postal Service sometimes begins occupying facilities before they are completed. If it is apparent at the time a project is being planned that a facility will need to be occupied prematurely, the purchase team ensures that the purchase plan includes a schedule showing when different parts of the facility will be occupied and providing for early acceptance and inspection of the affected parts.

2.2.4 Warranties PM

2.2.4-10 *Construction Warranties*

All construction and design-build contracts include Clause B-61, *Warranty (Construction)*, which requires the contractor to provide a one-year warranty or guarantee (from the date of final acceptance) covering materials, equipment, and workmanship, on all work performed under the contract. In addition, construction specifications often require the contractor to obtain longer warranties for certain products, like roofs, for which manufacturers routinely give extended warranties. The contract may also require the contractor to provide (or obtain from a manufacturer) longer warranties on other products or systems for which extended warranties are not routinely given. Special warranties are most often required for complex mechanical and electrical equipment that are costly to repair. However, before imposing a requirement for an extended warranty, the purchase team should, as part of the planning process, consider the factors listed in PM 2.2.4, including additional costs that could exceed the value of the warranty.

2.2.4-20 *Design Warranties*

Warranties are not included in A/E contracts. A/Es are obligated to provide services that meet the standards of the profession and Clause 4-5, *Inspection of Professional Service*. Also see 7.2.4-10.

2.2.5 Delivery or Performance Schedule PM

One of the more challenging tasks in planning a facilities-related purchase is determining the delivery date for the service being purchased. Most projects are to some extent unique, so there is usually no precise track record to use as a guide. In addition, both design and construction can, within limits, be carried out at different rates depending on the number of people assigned to the task and the amount of care taken. If quick delivery is demanded, the price could go up, or quality might come down, or both might occur. On the other hand, providing excessive time seldom results in lower prices or higher quality. Therefore, when setting the delivery date for a facilities project in accordance with PM 2.2.5, the purchase team considers many factors, including:

a. The needs of the Postal Service (if it is essential for operational reasons that a facility be ready by a certain date, and if it is physically possible to meet that date, that is the delivery date that should be specified in the contract; however, users often find ways of coping with a delay if they understand that the cost of meeting a rigid schedule will be very high).

b. The size and complexity of the project.

c. The level of construction activity in the area around the project.

d. The season of the year when the project will be initiated (see Exhibit 2.1.4.b-20c).

e. The budget for the project and whether the budget is generous or barely adequate.

f. The date when funding will be available.

2.2.6 Liquidated Damages

See PM 2.2.6.

2.2.7 Postal Service Property

2.2.8 Options

2.2.9 Multiyear Contracts

2.2.10 Value Engineering

2.3 Specifications and Statements of Work

2.3.1 Use

2.3.2 Technical Data Packages

2.3.3 Component Parts

2.3.4 Construction Specifications

Under Postal Service standards, offerors for construction contracts bear the burden of: (1) determining which requirements for permits, reviews, fees, charges, etc., will apply to the work specified in the solicitation; and (2) taking the resulting costs into account in formulating their price proposals. Except with the contracting officer's express approval, A/E contractors should not be permitted to shift this burden to the Postal Service. Examples of burden-shifting

provisions are schedules of fees and charges, and contract terms that set allowances for such fees and charges.

There is only one situation that is generally recognized as supporting a departure from this norm: charges (typically environmental permit fees) that cannot be determined or reliably estimated in advance. Most often, either the A/E will identify such charges during the design process, or offerors will raise the point after the solicitation is issued. In these instances, the solicitation should be drafted or amended to pass the charge through to the Postal Service as a price adjustment when the amount is determined.

2.4 Types of Contracts

2.4.1 General 

2.4.2 Selecting a Contract Type

2.4.2-10 *Types Available for Design and Construction*

After selecting the general approach to a facilities project, the purchase team selects the type of contract from among the six types used by the Postal Service:

a. Fixed-price contracts, of which there are three subtypes: firm-fixed-price, fixed-price incentive, and fixed-price with economic price adjustment.

b. Cost-reimbursement contracts, of which there are five subtypes: cost, cost-sharing, cost-plus-incentive-fee, cost-plus-award-fee, and cost-plus-fixed-fee.

c. Indefinite-delivery contracts, of which there are three subtypes: definite-quantity (not suitable for design or construction), indefinite-quantity, and requirements (generally not appropriate for design or construction).

d. Time-and-materials and labor-hours contracts.

e. Letter contracts (generally not appropriate for design or construction).

f. Ordering agreements.

Each contract type has different features, benefits, and limitations that should be considered in choosing which to use. Exhibit 2.4.2-10 is a comparative analysis of the various contract types. While selection of contract type is a planning function, discussions with prospective contractors may cause a change in the type of contract initially selected.

2.4.2-20 *Type Selection Guidelines*

Planners may specify any of several contract types for a facilities-related purchase. However, all contracts are not equally appropriate.

Firm-fixed-price contracts generally have proven to be the most appropriate contracts for purchasing A/E design services or construction for specific projects. They are also the most-used type in the private sector for such purchases. A firm-fixed-price contract makes the contractor fully responsible for cost control and is generally the simplest type of contract to administer.

Indefinite-quantity contracts, based on fixed lump-sum or unit prices, are suitable for purchasing A/E services, repair and alteration services, and related services for multiple small projects.

Cost-reimbursement contracts are used when a project involves so many uncertainties that costs cannot be estimated accurately enough to permit use of a fixed-price contract. Cost-reimbursement contracts are generally to be avoided, as a contractor has little incentive to minimize costs.

2.4.3 Fixed-Price Contracts

2.4.3.a *Firm-Fixed-Price Contracts*

Generally, contracts for construction are firm-fixed-price contracts. Such contracts may be:

a. Lump-sum contracts for a project or for defined parts of it.

b. Unit-price contracts in which a unit price is paid for a specified quantity of work completed, such as cubic yards of earth or concrete, or square yards of pavement.

c. A combination of both.

2.4.3.b *Fixed-Price Incentive Contract*

Contracts with performance incentives are authorized. For example, in cases where the Postal Service receives a significant financial benefit as a result of early completion, the contractor may be permitted to share in the resulting benefit through a clause providing for an early completion bonus. Use incentive clauses with care since the contractor normally benefits financially from expeditious performance and since early completion bonuses can give rise to contractor claims for damages when bonuses are not earned even if the contractor completes the project on time.

2.4.3.c *Fixed-Price with Economic Price Adjustment*

Fixed-price contracts with economic price adjustments (EPAs) are used in unusual situations, such as when price adjustment arrangements are customary, when there is great uncertainty regarding material prices, or when use of a firm-fixed-price contract would keep a significant number of firms from proposing. Fixed-price contracts with EPAs result in the inclusion of unwarranted allowances for contingencies or unreasonable increases in the cost of the contract.

2.4.3.d *Clauses – Supplies and Services Contracts*

2.4.4 Cost-Reimbursement Contracts

Because of potential labor and administrative problems, cost-plus-fixed-fee, price-incentive, or other types of contracts with cost-variation or cost-adjustment features may not be used concurrently (with the same contractor at the same work site) with firm-fixed-price lump-sum or unit-price contracts, unless the manager of Major Facilities Purchasing gives prior written approval.

2.4.5 Time-and-Materials and Labor-Hour Contracts

2.4.6 Indefinite-Delivery Contracts

2.4.6.a *General*

2.4.6.b *Definite-Quantity Contracts*

This type of contract is not suitable for construction.

2.4.6.c *Indefinite-Quantity Contracts*

The Postal Service requires that a large number of small repair and alteration, environmental, and other projects be performed each year. Many of these projects cannot be administered in a timely manner on an individual basis because of the administrative burdens required to publicize the requirement, prepare a solicitation, and administer a standard contract. The indefinite-quantity construction contract offers a means of accomplishing many projects through work orders issued against a single contract, thereby saving the considerable administrative time and effort associated with individual solicitations.

2.4.6.c-10 *Unit Prices*

A solicitation is used to request proposals based on a unit price schedule furnished by the Postal Service. Offerors submit a multiplier that applies equally to all prices listed in the unit price schedule. Multiple awards are made if the solicitation so states. Work for individual projects under an indefinite-quantity contract is ordered by the units of work required, with the unit rates pre-established and contractually agreed upon in advance.

2.4.6.c-20 *Limitations on Indefinite-Quantity Construction Contracts*

One of the major objectives of the purchasing process is to use highly qualified construction firms. This objective is counterbalanced against the objective of streamlining purchasing, which is served by the use of indefinite-quantity contracts. To strike a proper balance between these two important objectives, the limitations and requirements summarized in Exhibit 2.4.6.c-20 apply to the use of indefinite-quantity construction contracts.

2.4.6.c-21 *No New Construction*

No new building construction work may be ordered under an indefinite-quantity contract except for site preparation or foundation work for a pre-engineered building purchased directly from the manufacturer.

2.4.6.c-22 *Drawings, Specifications, and Pricing*

At the time of award, an indefinite-quantity contract must contain or incorporate by reference the unit price schedule, technical specifications, standard drawings, and details that apply to work orders to be issued, as well as the multiplier furnished by the contractor.

2.4.6.c-30 *Repair and Alteration Using Indefinite-Quantity Contracts*

At the District level, most repairs and alterations are accomplished within delegated levels of purchasing authority and the work order limits of indefinite-quantity construction contracts.

2.4.6.d *Requirements Contracts* PM

Under a requirements contract, the Postal Service is obligated to satisfy all or a specified portion of its needs by ordering from the selected contractor and no other. This lack of flexibility weighs against the use of requirements contracts for design or construction work.

2.4.6.e *Ordering* PM

2.4.6.f *Multiple Awards* PM

Multiple awards apply to indefinite-quantity contracts but not to requirements contracts.

2.4.6.g *Provisions*

PM for design contracts.

☒ for construction contracts.

2.4.6.h *Clauses* PM

2.4.7 Ordering Agreements PM

2.4.8 Basic Pricing Agreements ☒

2.4.9 Letter Contracts PM

Exhibit 2.1.4.b-20a
Sample Milestone Schedule for Prequalification

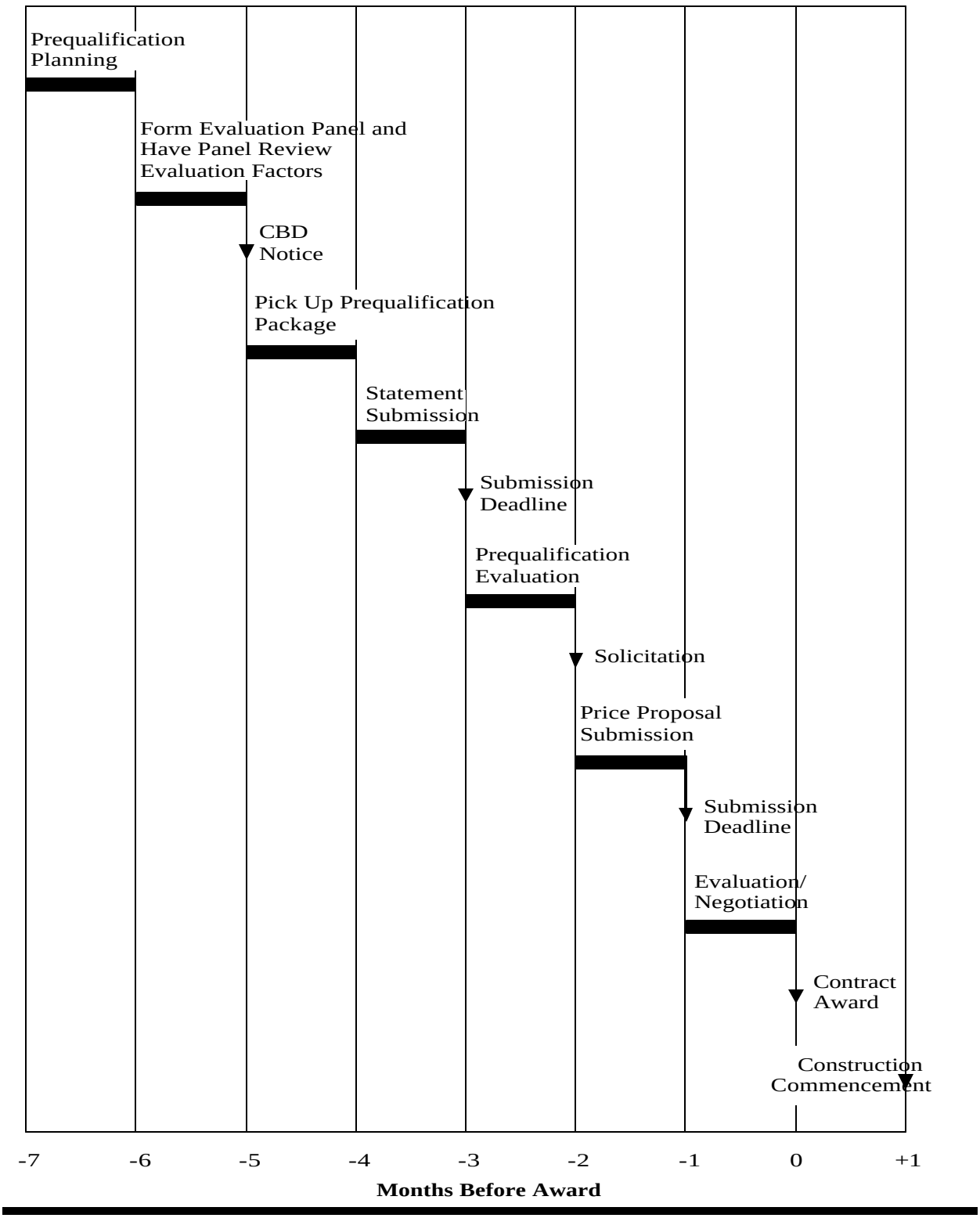

Exhibit 2.1.4.b-20b
Project Design and Construction Schedule for Design-Solicit-Build Projects

Typical Design and Construction Timeframes

Allow up to 20 weeks to select an A/E firm for a design contract. This activity should occur concurrently with project planning and site selection. This time frame incorporates the activities from initiation of the *Commerce Business Daily* (CBD) announcement through screening, interview, negotiation, and award.

The duration of design activities will depend on proposed facility size and includes planning, design, CBD announcement, and construction contract award. Use the following information as a guide in determining design duration.

If the A/E firm is to prepare the functional design specifications and the 10 percent preconcept design, allow a sufficient number of additional weeks for these design activities. These activities should occur concurrently with decision analysis preparation and before Board of Governors' project approval.

Size of Facility (Gross Sq. Ft.)	***Design/Solicitation/Award (months)[1]***
Less than 50,000[2]	3
50,001 to 100,000	5
100,001 to 200,000	6
200,001 to 300,000	8
More than 300,000	12

The specified design time allows for construction planning, design completion, CBD announcement, and construction contract award.

The length of the construction schedule depends upon facility size and site conditions. Use the following information to determine construction duration.

Size of Facility (Gross Sq. Ft.)	***Construction (months)[3]***
Less than 50,000	6
50,001 to 100,000	7
100,001 to 200,000	12
200,001 to 300,000	16
More than 300,000	18

Schedules should be adjusted plus or minus for specific circumstances, such as expansion or renovation of an existing facility.

[1] Reflects 10 percent design completion before Board of Governors' approval.

[2] Assumes the facility design requires only site adaptation.
[3] Add extra weeks to reflect weather conditions.

Exhibit 2.1.4.b-20c
Weather Schedule (Page 1 of 2)

Extra Weeks to be Added Due to Weather Conditions, and Depending on Notice to Proceed (NTP)

NTP Date	Zone 1	Zone 2	Zone 3
01 JAN – 14 JAN	0	0	8
15 JAN – 28 JAN	0	0	6
29 JAN – 11 FEB	0	0	4
12 FEB – 11 MAR	0	0	2
12 MAR – 29 JUL	0	0	0
30 JUL – 12 AUG	0	0	2
13 AUG – 26 AUG	0	0	4
27 AUG – 09 SEP	0	0	6
10 SEP – 23 SEP	0	2	8
24 SEP – 21 OCT	0	4	10
22 OCT – 18 NOV	0	6	12
19 NOV – 16 DEC	0	8	10
17 DEC – 31 DEC	0	6	8

Foundation Corrections

If unusual subsoil conditions are anticipated that may require piling, extensive sheeting, blasting, or dewatering, time should be added to correct for this condition. The amount of time depends on project size.

Exhibit 2.1.4.b-20c
Weather Schedule (Page 2 of 2)

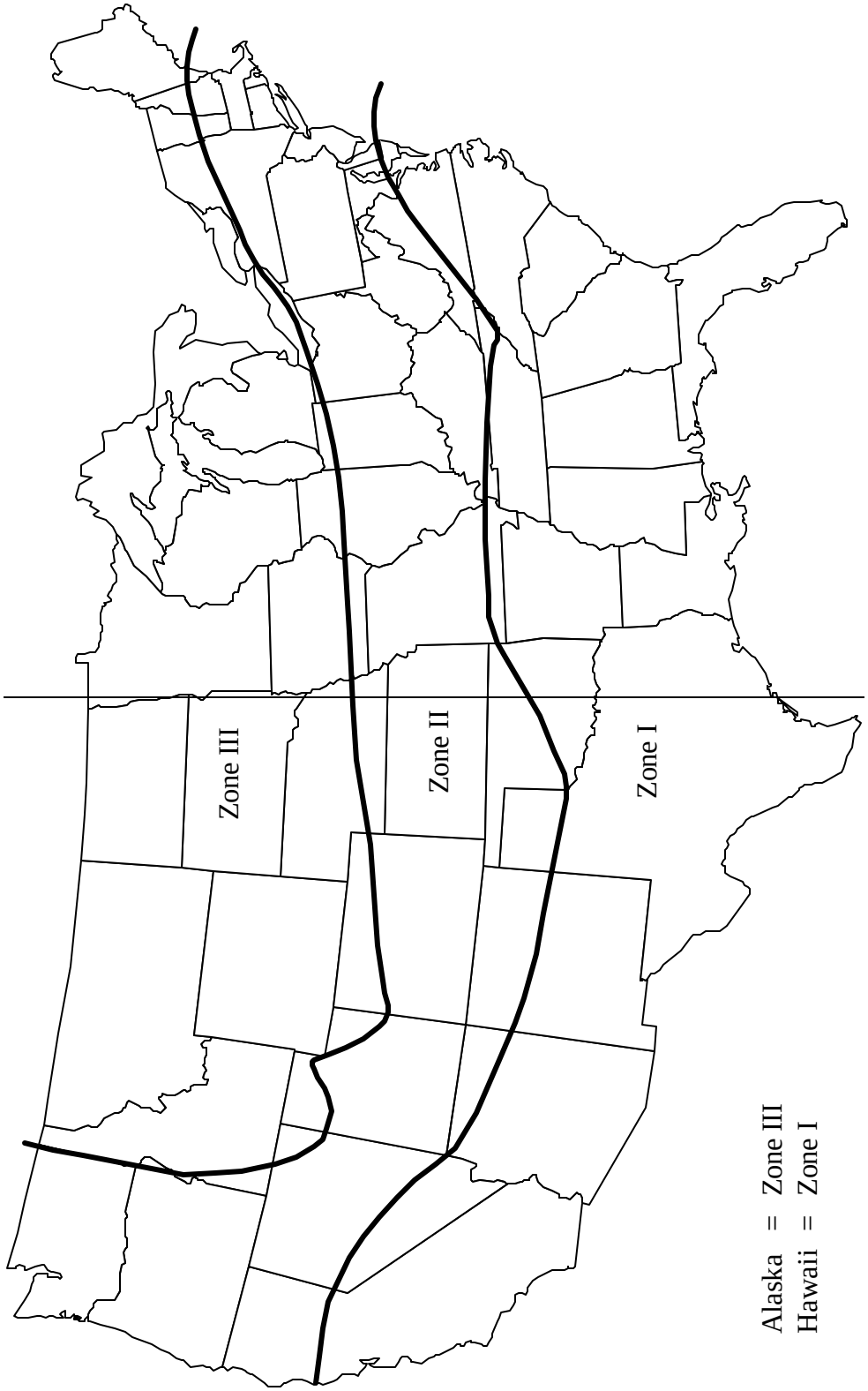

Exhibit 2.1.4.b-40
Comparison of Three Basic Approaches to Design and Construction Projects (Page 1 of 3)

Design-Solicit-Build

Basic Concept	Design and construction phases are carried out separately by different contractors: an A/E firm for design and a general contractor for construction.
Typical Purchasing Arrangements	A/E firm is selected per procedures described in chapter 4A of this Handbook and awarded a fixed-price contract with price (fee) negotiated. Construction contractor is selected on the basis of proposals from a prequalified group of competitors and awarded a fixed-price contract.
Benefits	(1) Since this is the most widely used approach, potential offerors are plentiful; (2) owner has complete control of design; (3) since construction proposals are based on complete plans and specifications, contractors can estimate costs precisely, with minimum allowance for uncertainty.
Limitations and Shortcomings	(1) Responsibility for design and construction is divided, which increases owner's exposure; (2) approach is time consuming because of delay between completion of design and award of construction contract and because designer must develop complete and detailed plans and specifications; (3) changes and unforeseen problems during construction frequently result in disputes over who is responsible.

Exhibit 2.1.4.b-40
Comparison of Three Basic Approaches to Design and Construction Projects (Page 2 of 3)

Design-Build

Basic Concept	Both the design and construction phases are handled by the same contractor, which may be an ad-hoc partnership of an A/E firm and a construction firm.
Typical Purchasing Arrangements	Contractor is selected on the basis of a two-step evaluation of priced proposals from a preselected group of competitors and awarded either a fixed-price or fixed-price-with-incentives contract.
Benefits	(1) Since a single contractor is responsible for both design and construction, owner's liability for problems is minimized; (2) for the same reason, changes and unforeseen problems during construction are usually resolved quickly and without a dispute over who is responsible; (3) approach saves time because delay between completion of design and start of construction is eliminated and because plans and specifications need not be highly refined; (4) approach may save money since construction specialists are involved in the design.
Limitations and Shortcomings	(1) Unless owner has a preliminary plan developed before seeking a design-build contractor, the cost of preparing a proposal can be high, which limits the number of potential competitors; (2) owner has limited say about the detailed elements of the design; (3) since requests for proposals include only limited information on the type of facility desired, contractors must include an allowance for uncertainty in their proposals; (4) the cost of evaluating proposals may be high.

Exhibit 2.1.4.b-40
Comparison of Three Basic Approaches to Design and Construction Projects (Page 3 of 3)

Standard Plans

Basic Concept	The approach is similar to the design-solicit-build approach except that the design firm does not develop plans and specifications from scratch; instead, it merely site adapts a standard plan provided by the owner. Also, a design firm may be hired to site adapt plans for several facilities under an indefinite-quantity contract.
Typical Purchasing Arrangements	The purchasing arrangements are the same as for the design-solicit-build approach unless a design firm has already been hired under an indefinite-quantity contract, in which case the A/E selection step is eliminated, and the contracting officer need only negotiate a statement of work and price for the task at hand.
Benefits	The benefits are the same as for the design-solicit-build approach; however, since a standard design is being used, design costs and design-related problems should be reduced. The time needed to complete the project also should be reduced if a designer already under contract is used.
Limitations and Shortcomings	The approach can only be used for those facilities for which standard plans have been developed; otherwise, limitations and shortcomings are the same as for the design-solicit-build approach.

Exhibit 2.4.2-10
Primary Construction Contract Types
Used by the Postal Service: Key Features and Benefits (Page 1 of 3)

Types	Features	Benefits	Limitations
Fixed-Price Contract Types			
Firm-Fixed Price	Fair and reasonable price can be established at outset	Shifts 100 percent of risk to contractor, hence encourages efficiency and economy	Design-construct time is normally longer
	Design and performance specifications are definite	Eliminates chance of cost overrun (unless there is change or delay)	Postal Service and contractor are usually in adversarial roles
	No price adjustment is made after contract award unless changes, defects, or damages are found	Easiest and usually least costly type to administer	Changes and unforeseen difficulties frequently result in disputes and extra costs to Postal Service
	Used to purchase well-defined items		Contractor has minimum contribution to design or constructability process
Fixed-Price with Economic Price Adjustment	Definite price and technical specifications can be established before award	Contractor assumes all risks except for changes in price of specified items	Determination of escalation rate must be specifically defined in the contract
	Used when contract duration is considered long enough to expect changes in price of labor or materials	Profit is not allowed on additional costs resulting from escalation	Escalation rate might not accurately portray increases or decreases in construction costs
	Contract specifies when such price changes will automatically become part of contractor's accounting	Limits are placed on upward and downward price escalation	
		Escalation rate is based on industry standard (or other noncontrollable index)	
Fixed-Price Incentive	Used when cost uncertainties exist	Contractor has incentive to control costs	Requires negotiation with contractor to reach a firm price ceiling and profit formula
	Provides contractor incentives to reduce costs, speed up delivery, or improve performance	Contractor must maintain cost accounting system to apply profit and price adjustment formulas	Increases cost monitoring by Postal Service
		Price ceiling is put in place; contractor is fully liable for all incurred costs beyond price ceiling	
		Share formula may be varied to fit situation	

Exhibit 2.4.2-10
Primary Construction Contract Types
Used by the Postal Service: Key Features and Benefits (Page 2 of 3)

Types	Features	Benefits	Limitations
Cost-Reimbursement Contract Types			
Cost-Plus-Fixed-Fee	Postal Service reimburses all allowable costs plus an agreed-upon fee	Postal Service may proceed even though only vague scope of work or indefinite specs are possible	Generally less economical than fixed-price
	Used for R&D when objective, approach, and end result can be defined	Fee changes only when scope of work does	Increased Postal Service involvement in construction process is necessary
	Used where level of effort is unknown or for development and test when a cost-plus-incentive fee is not feasible		Final cost is not guaranteed
	Contractor must demonstrate adequate cost control		Involves more detailed negotiation and selection process
Cost-Plus-Incentive Fee	Postal Service reimburses all allowable costs plus a negotiated fee as incentive for cost reduction, performance improvement, or delivery	Encourages more economical, efficient, effective performance when cost-reimbursement contract is necessary	Requires more negotiation with contractor to develop incentive fee formula
	Target cost, target fee, maximum and minimum fee, and share ratio are determined initially	Potential exists for both Postal Service and contractor to benefit	
	Upon completion of contract, final cost is found; target cost is compared with final cost and target profit is adjusted according to share ratio		
	Contractor must maintain adequate cost accounting system		
Cost-Plus-Incentive Fee with Performance Incentives	Postal Service reimburses all allowable costs plus a negotiated fee	Offers more incentive for contractor	Increases Postal Service involvement in monitoring quality, schedule, and cost
	Fee consists of two parts: (1) Fixed amount, and (2) Award amount for quality, timeliness, ingenuity, or cost control; award amount is stated in contract; contractor earns some or all of it based on Postal Service evaluations	Contractor cannot appeal amount of award fee	Risk is shared between Postal Service and contractor

Types	Features	Benefits	Limitations
	Used when performance objectives, cost, delivery, and incentive factors cannot be clearly measured Contractor must maintain adequate cost accounting system		Usually more costly type to administer

Exhibit 2.4.2-10
Primary Construction Contract Types
Used by the Postal Service: Key Features and Benefits (Page 3 of 3)

Types	Features	Benefits	Limitations
Other Contracts			
Indefinite-Quantity	Fixed unit price or fixed-price per unit of effort over stated time period is determined at outset	Fixed-price per unit	Final cost is not guaranteed because accurate quantities are not known
	Contractor delivers goods or services as ordered	Flexibility in the amount required or time of delivery	Requires accurate measurement of quantities to ensure proper payment for services
		Assured source of supply	Unit price needs to be renegotiated if total estimated quantities change
		Savings in administrative and expense	
		Economies in transportation and inventorying	
Letter	Preliminary contractual instrument to be replaced by definitive contract at earliest practical date	Allows contractor to start work before finalization of contract terms	Not a definitive contract; some contract provisions missing
	Used in urgent situations requiring immediate binding agreement so work can begin	Includes as many contractor provisions as possible	Fair price not assured because of lack of competition
		States maximum liability of Postal Service before definitive contract	
		Includes price ceiling	
Time and Materials and Labor Hours	Rates for labor and costs for materials are negotiated; contractor is reimbursed for labor expended and materials used	Ceiling price is normally established	Costly to administer due to frequent Postal Service monitoring
	Frequent Postal Service surveillance is required	Permits purchasing when it is not possible to estimate extent or duration of the work	
	Labor-hour contract is similar except that contractor does not pay for materials		Final cost is not guaranteed

Exhibit 2.4.6.c-20
Summary of Limitations on Indefinite-Quantity Construction Contracts (Page 1 of 2)

INDEFINITE-QUANTITY CONTRACTS
REPAIR AND ALTERATIONS
LIMITATIONS

1. Indefinite-quantity contracts (IQC) for repairs and alterations can only be issued and modified by a Facilities Service Office, the Major Facilities Office (Headquarters Facilities), or the Major Facilities Purchasing Office. These contracts may not include new construction or expansion of a building.

2. These offices will issue authority to contracting officers in their offices and/or other offices (Districts, Plants, etc.) to place work orders against the IQC contract. The authority to place work orders can not exceed that contracting officer's warrant authority, but could be for less.

3. Contracting officers receiving authority to place work orders may not issue modifications to work orders where the total work order would now exceed their work order authority (see #2 above).

TYPE OF SERVICE: CONSTRUCTION FOR REPAIR AND ALTERATION PROJECTS ONLY

Contract Limitations	**Office**	**$ Limits**
Work Order	Districts and Plants	As set by contracting officer (CO) issuing contract (see #2 above)
Work Order	MFP, FSO, HQ. Fac. Ofc.	$ 250,000
Minimum work order amount		$ 500

Basic Terms and Renewal Options:

One-year or two-year basic term with 1-year renewal options. Not to exceed 5 years total duration.

Minimum work to be ordered under contract	$ 10,000
Total Contract Limit	@ CO LIMIT**

**May not exceed $9,500,000

Exhibit 2.4.6.c-20
Summary of Limitations on Indefinite-Quantity Construction Contracts (Page 2 of 2)

INDEFINITE-QUANTITY CONTRACTS
REPAIR AND ALTERATIONS
LIMITATIONS

TYPE OF SERVICE: ENVIRONMENTAL PROJECTS FOR ASBESTOS ABATEMENT OR UST REMOVAL/REPLACEMENT

Contract Limitations	**Office**	**$ Limits**
Work Order	Districts and Plants	As set by CO issuing contract (see #2 above)
Work Order	MFP, FSO, HQ. Fac. Ofc.	$ 250,000
Minimum work order amount		$ 500

Basic Terms and Renewal Options:

One-year or two-year year basic term with 1-year renewal options. Not to exceed 5 years total duration.

Minimum work to be ordered under contract	$ 10,000
Total Contract Limit	@ CO LIMIT**

**May not exceed $9,500,000

@ CO LIMIT is the contracting officer's authority issued to a contracting officer by Major Facilities Purchasing for design and/or construction.